



## Senate

General Assembly

**File No. 812**

*January Session, 2013*

Substitute Senate Bill No. 809

*Senate, May 14, 2013*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### ***AN ACT ALLOWING THE TRANSFERS OF TAX CREDITS TO INSURANCE COMPANY AFFILIATES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective July 1, 2015, and applicable to calendar years*
- 2 *commencing on and after January 1, 2015*) An insurance company or
- 3 health care center, as defined in section 38a-175 of the general statutes,
- 4 may transfer any credit allowed against the tax imposed by chapter
- 5 207 of the general statutes to an affiliate, as defined in section 38a-1 of
- 6 the general statutes, of the insurance company or health care center.
- 7 Such credit may be taken by any such affiliate only against the
- 8 affiliate's tax liability imposed under chapter 207 of the general
- 9 statutes. The Commissioner of Revenue Services shall not allow any
- 10 credit to an affiliate against such tax liability unless the insurance
- 11 company or health care center and affiliate have filed such information
- 12 as may be required on forms provided by the commissioner with
- 13 respect to any such transfer on or before the due date of the tax return
- 14 on which such credit would have been taken by the insurance

- 15 company or health care center if no transfer had been made by such  
16 insurance company or health care center.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2015, and applicable to calendar years commencing on and after January 1, 2015</i>	New section

**FIN**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 14 \$	FY 15 \$
Department of Revenue Services	GF - Revenue Impact	See Below	See Below
Department of Revenue Services	GF - Cost	See Below	See Below

**Municipal Impact:** None

### **Explanation**

Beginning with the 2015 calendar year, the bill allows insurance companies to transfer tax credits they would otherwise have to claim themselves to an affiliate. To the extent this results in an insurance company transferring a credit they are ineligible to take to an affiliate that is eligible to take the credit, this would result in an accelerated revenue loss<sup>1</sup> beginning in FY 16.

The bill specifies companies transferring credits amongst affiliates must file with the Department of Revenue Services (DRS) forms containing any information the commissioner requires. To the extent any such forms would be required; there is a minimal cost to DRS associated with printing and technical changes to the online Taxpayer Service Center (TSC).

In FY 12, a total of 1,170 domestic and foreign insurance companies and health care centers paid the Insurance Premiums Tax. Approximately \$32.2 million in total tax credits were taken against the Insurance Premiums Tax in 2011, based on preliminary figures from

<sup>1</sup> Often tax credits are allowed to be carried forward for a given period of time if a company is not able to use it in the year in which it is earned.

DRS.

### ***The Out Years***

#### ***State Impact:***

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 16 \$</b>	<b>FY 17 \$</b>	<b>FY 18 \$</b>
Department of Revenue Services	GF - Revenue Impact	Potential	Potential	Potential
Department of Revenue Services	GF - Cost	Potential Minimal	Potential Minimal	Potential Minimal

***Municipal Impact:*** None

*Sources: Department of Revenue Services Fiscal Year 2011-2012 Annual Report*

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**OLR Bill Analysis****sSB 809*****AN ACT ALLOWING THE TRANSFERS OF TAX CREDITS TO INSURANCE COMPANY AFFILIATES.*****SUMMARY:**

This bill permits insurance companies and HMOs to transfer to their affiliates an insurance premium tax credit that, under current law, may not be transferred or assigned. The affiliate must use the transferred tax credit to reduce its own premium tax liability. The law already allows insurance companies and HMOs to transfer certain tax credits to other taxpayers, including their affiliates, subject to certain restrictions.

Although the bill allows insurers and HMOs to transfer a credit to an affiliate, it prohibits the revenue services commissioner from allowing the affiliate to claim the transferred credit unless certain conditions are met. The insurer or HMO and affiliate must file any information the commissioner requires by the due date of the tax return on which the insurer or HMO would have taken the credit if it had not transferred it to the affiliate.

EFFECTIVE DATE: July 1, 2015, and applicable to calendar years beginning on or after January 1, 2015.

**INSURANCE PREMIUM TAX CREDITS**

The law allows insurers and HMOs to apply tax credits against their insurance premium tax liability. Some tax credit programs require the entity that earns the credit to claim it, while others allow entities to transfer or assign the credits they earn to other taxpayers. The bill allows insurers and HMOs to transfer credits to an affiliate that they would otherwise have to claim themselves (e.g., electronic data processing equipment property tax, historic homes rehabilitation,

housing program contribution, and Neighborhood Assistance Act tax credits).

Existing law, unchanged by the bill, allows insurance companies and HMOs to transfer specific tax credits to other taxpayers (e.g., urban and industrial site reinvestment, film production, film infrastructure, digital animation, historic preservation, and insurance reinvestment fund tax credits). The transfers are generally subject to restrictions, including limits on the (1) number of times a particular credit may be transferred and (2) tax period for which a transferee may claim the credit. These restrictions would apply to any tax credit transferred by an insurance company or HMO to its affiliate.

## **BACKGROUND**

### ***Legislative History***

The Senate referred the bill (File 17) to the Finance, Revenue and Bonding Committee, which favorably reported a substitute that postpones the bill's effective date for two years (from July 1, 2013 to July 1, 2015).

### ***Affiliate***

Under state insurance law, an "affiliate" is a person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another person (CGS § 38a-1(1)).

## **COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 16      Nay 3      (02/14/2013)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 37      Nay 13      (05/06/2013)